



**Medtronic**

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AFFIDAVIT OF Richard R. Carreon, Vice President US Sales, Medtronic, Inc.

Re: Commercial Success of the GoalQuest® Program

I, Richard R. Carreon, having been duly sworn, do solemnly state as follows:

1. I am the Vice President of US Sales for Medtronic, Inc. Gastroenterology/Urology ("Medtronic").
2. Medtronic utilizes loyalty and incentive programs provided by various vendors, such as Schoeneckers, Inc. ("Schoeneckers"), to promote sales of Medtronic products and services, and to encourage employee productivity and enthusiasm for their work at Medtronic.
3. My role at Medtronic is to develop and manage these incentive and loyalty programs. I have worked with over 6 vendors providing such incentive or loyalty programs and I am familiar with many types of incentive or loyalty programs presently or previously offered by these vendors dating back to before August 18, 1999. I have been involved in this field for over 22 years.
4. Medtronic utilizes the GoalQuest® program offered by Schoeneckers; in fact, Medtronic has sponsored over Six of the GoalQuest® programs with 857 participants enrolled in the programs.
5. The GoalQuest® program is unique from all other incentive programs I have seen or used before.

The GoalQuest® program uniquely combines the following elements:

- a) A menu of sponsor-defined levels or tiers of achievement or performance;
  - b) The levels of achievement provide a hierarchy or menu of goals, each level more difficult than the previous level;
  - c) The higher the level of achievement by the participant, the higher the reward;
  - d) The participants select a specific level of achievement as a goal, knowing of the higher risk and higher rewards that apply to higher levels of selected achievement;
  - e) The participants are rewarded only if they achieve their selected level of performance. The participants receive no reward for achieving a lower level of performance than selected, and do not receive a reward associated with a higher level of achievement even if the participant should overachieve. Thus, if the participants believe they can and will perform at a certain level of achievement, the GoalQuest® program encourages the participants to select the highest level believed obtainable to maximize the reward potential.
6. To my knowledge, Schoeneckers was the first and is the still the only provider of an incentive program with the unique combined functionality of the GoalQuest® program.
  7. The GoalQuest® programs have been a great success for Medtronic. Medtronic's internal performance tracking indicates that 39% of the participants in the GoalQuest® program achieve above the base line level (the level that participants would ordinarily achieve in the absence of any inducement). This is comparable to a typical range of 10 to 20% achieved in other incentive programs previously used by Medtronic.
  8. I believe the GoalQuest® program is better accepted by participants and engenders greater personal commitment from the participants because the participants are given the opportunity to select their level of achievement from a menu of achievement levels defined by the sponsor. Participants have their own thoughts of the level of achievement that is fair and "right" for them, in contrast to other programs where the participants may believe that unrealistic goals are arbitrarily established by the sponsor and imposed upon the participant. Further, participants with great confidence in their ability to achieve at higher levels will be encouraged to reach for lofty goals that bring with it the benefits of greater rewards. The goals selected by the participants are usually realistic (in the mind of the participant) because there is no reward for underachieving. If too low of a level of achievement is selected, the participant may overachieve and miss the opportunity to earn the reward associated with the higher level of achievement. Medtronic's experience is that greater results are achieved from the GoalQuest® program than other traditional incentive programs where the sponsor simply establishes goals and provides incentives for each level of performance achieved. Further, the payout for the GoalQuest® program is usually less than many traditional incentive programs because rewards are only provided if the selected goals are obtained by the participant, rather than rewarding the participant for each and every level achieved.

9. Medtronic offers a great variety of incentive programs to its employees. Competitors of Schoeneckers also offer a variety of incentive programs to Medtronic. The GoalQuest® program has successfully competed against all of these programs to the point that the GoalQuest® program has become Medtronic's dominant incentive program at this time.

10. I consider the GoalQuest® program to be unique and innovative in a very crowded field of business incentive programs. The GoalQuest® program has created a niche not previously known in the incentive business.

11. It is my best estimation and expectation that the GoalQuest® program will continue to be a dominate incentive program used by Medtronic in the future.

Medtronic, Inc.

*RICHARD R. CARREON*

By:

*Richard R. Carreon*

Its:

*VICE PRESIDENT OF SALES  
MEDTRONIC GASTROENTEROLOGY & UROLOGY*

STATE OF MINNESOTA )

) ss

COUNTY OF Hennepin )

Subscribed and sworn to before me, a Notary Public, this 23<sup>rd</sup> day of February, 2005, by Richard R. Carreon, the VP of Sales of Medtronic, Inc., a Minnesota corporation, on behalf of the corporation.

Notary Public

*Lesa Labatt*

